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Our Money History

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THE COLONIAL PERIOD

Scarcity of Coin. The early colonists brought with them to America little coin. Some was acquired, as the colonial exports grew, in the settlement of trade balances. Thru[1] the trade with the West Indies there came into circulation a Spanish silver dollar, destind a century or two later to be the model of our present silver dollar. As the colonists were mostly from England, they thought, so far as money matters were concernd, in English pounds, shillings, and pence, tho there were never many such coins in general circulation. The Spanish dollar came to be considerd worth six shillings in New England and eight shillings in New York. The pieces were often much worn and clipt. At one time various colonies vied with each other in rating this dollar high, in the vain hope of enticing it within their borders. Such attempts resulted in the readjustment of prices of commodities. Queen Anne tried, without success, to fix and hold the value of the dollar at six shillings. Various laws were past prohibiting the export of coin.

For a few years Massachusetts coind a silver piece, known as the pine tree shilling. In general, however, coin remaind scarce thruout the colonial period tho at times in seaport towns considerable was in circulation. The little foren coin that found its way into the country was quickly hoarded against an emergency or was used to purchase luxuries from abroad.

Tobacco Money in Virginia. In spite of the furious Counterblast to Tobacco of James I, in spite of import duties laid on it in England, tobacco speedily became the all-important crop of Virginia. Other crops were neglected; the streets and public squares of Jamestown are described as at one time planted with it; in the period preceding the

[1] The rules of the Simplified Spelling Board are followd.

Revolutionary War the annual export of the colony is said to have averaged 55,000,000 pounds. Thruout the colonial period the culture of tobacco was the industrial life and determind largely the social life of the people of Virginia. Most of the laws of the colony had to do with tobacco; to raise it slaves were introduced; the prosperity its culture brought sowd the seeds of independence; and attempts by the home government to tax it nurtured the growth of liberty in the New World. And to the time of the Revolution this staple product was Virginia's chief medium of exchange. In tobacco the young men paid the transportation charges for the girls who came over to be their wives; in it the preacher got his tithes; in it absentees from divine service were fined; it was receivd for taxes, and tho at various times other articles were temporarily likewise honord, yet tobacco was the chief medium of exchange and the most constant legal-tender for dets.

A good money must be uniform in quality. Tobacco clearly was not, for we find the Virginia Company directing the colonial authorities to provide for the burning of all "base and rotten stuff;" it was provided later by law that no uninspected tobacco be exported. A good money must be handy; but we find that tobacco had to be rold to market in hogsheds that had wooden spikes in the ends for axles, rold thru mud, mire, and stream, the driver camping at night with his tresure by the roadside. Warehouse certificates were issued to owners and past from hand to hand in place of the tobacco, and the penalty for counterfiting these certificates was "deth without clergy." A good money should not deteriorate with age; yet it was finally provided that tobacco certificates should not be legal-tender for longer than eighteen months from the time of their issue. A good money should remain stable in value from year to year; if it depreciates it wrongs creditors, and if it appreciates it wrongs detors. Tobacco was worth 3s. in 1619 and in 1628; 9d. in 1633; 3d. in 1639; 20d. in 1641. During most of the colonial period the production of tobacco increast rapidly, the foren demand increast not so rapidly, and the tendency of tobacco prices was downward. Strenuous efforts were made to keep them up. It was provided that only so many plants should be tended per family or per poll, that only so many leaves should be pickt from each plant, that the poorer grades and half the good be burned, that no planting should be after such or such a date, that no seconds be tended, that each man should raise a certain amount of corn, that mechanics must not plant tobacco, that in Virginia, Maryland, and North Carolina planting cease for one year. One year riots occurd and much of the crop was destroyd. Again and again the

prices of tobacco were fixt by law. The success attending efforts to keep up the price either by fixing it by law or by limiting the supply, was partial and temporary. The experience of Maryland with tobacco was similar to that of Virginia.

Beaver as Currency. The fur trade was of much importance in the early economic and social history of America; and of all the furs, beaver ruled supreme. The Atlantic streams that flowd thru hard-wood forests were found to be well stockt with beavers. The animal's manner of life made it an easy prey. The Plymouth colony sent its first shipment of beaver to England before it had been on American soil a year. Ere long all Europe wanted beaver; and beaver began to move down the rivers of Maine, coastwise to the Massachusetts settlements; down the Connecticut to Springfield; the Hudson and the Mohawk to Albany; soon, everywhere, out of unbroken forests to the outskirts of civilization, sometimes seven or eight hundred miles to reach the coast; thence, across the Atlantic, where in exchange it was as good as gold. Scatterd thru colonial history are many references to this important trade. We read how the white man put his foot in the scale with his goods to make them balance the Indian's beaver—twenty beaver skins were demanded of the Mohawks for a musket; we read how the trade aroused sectional jelousies, as when New Englanders were forbidden to trade horses and cattle for beaver at Albany, or their beaver was subjected to a customs duty at New York, or when the Dutch were accused of carrying off 15,000 to 20,000 beaver skins a year from their Connecticut river trade. French Canadians smuggled their beaver skins over the line to Albany. We read of fluctuations in value as mesurd in the money of account, of attempts to fix the value, of legal-tender provisions, of prices of almost everything fixt in beaver: in 1633 8 lbs. of tobacco, 4 bu. of salt, 40 lbs. of dried fish, 2 bu. of corn, 15 lbs. of butter, or 3 bu. of rice exchanged for 1 lb. of beaver. As late as the middle of the eighteenth century shipments of beaver were occasionally made to England; yet the importance of the trade had ceast long before, only to reappear later spasmodically, here and there, in western frontier life.

Wampum among the Indians. With their tools of stone, out of clams, oyster, and perhaps some other shells, the Indian tribes along the coast, especially those on or in the vicinity of Long Island fashiond little shell cylinders, a quarter of an inch long and one-eighth of an inch thru; they polisht these, and laboriously bored them thru lengthwise, with awls of flint. Shell-heaps with such awls in them have been found along the

coast as far north as Maine. There were black beads and white beads; the former, cut necessarily from a certain spot in a shell, as from the point of muscular attachment in the clam shell, being the scarcer and the more precious.

The Indian strung his shell beads on tendons, buckskin cords, or fibers of hemp; he wore such strings of wampum or peage around his wrists, his neck, or as a sash; he sewd the beads, with pretty intermingling of colors and in ornamental designs, on moccasins and shirts; the chief's deerskin belt was decorated with perhaps ten thousand beads. In short, wampum was the most precious thing the red man had; it was his gold, his silver, his medium of exchange. The brave slept with it under his hed. Its possession brought distinction and honor. It came to have ceremonial and symbolic uses. The chief strengthend the fidelity of his warriors thru presents of wampum; and wampum in the possession of a chief was as significant of love and labor on the part of his followers as are the crown jewels of a modern monarch. Belts of wampum reinforced words of sympathy, apologies, summons to war, and messages of peace. "This belt preservs my words", was an Iroquois formula. We are told that braves kickt around in contempt a belt that provokt their anger. Few indeed were the important inter-tribal transaction without an interchange of wampum belts; and such belts were jelously garded by especially appointed keepers for generations; they became mnemonic emblems, records from which wampum-keepers and aged braves red in councils the history of their tribe.

Wampum as Colonial Money. Books prone to emphasize the blood-and-thunder side of history have said little or nothing of a bred-and-butter relation that existed between the red and the white man. The Indian wanted the white man's hoes, his guns, bullets, his blankets and coats, his liquors, and scores of articles of ornament; the colonist needed the Indians labor, his venison, his corn, his land, and his furs. Wampum became the medium of exchange. It drew beaver out of the dense forest. The island upon which fashionable Newport stands cost the white man only forty fathoms of beads.

Well-nigh indispensible in the Indian trade, wampum easily became a full fledged money among the colonists themselvs. These points are instructiv as to its use: (1) The colonist had little or no use for wampum himself; he took it expecting to pass it on in exchange for something he could use; it was good for beaver, and beaver was good for the comforts and the luxuries of the Old World. Thus wampum attaind a circulation thruout New England and the Middle

Colonies and, to some extent, even as far south as Virginia, principally because it was redeemable in beaver. (2) After wampum had become establisht in practis as money, the Colonial governments legalized and regulated its use; they made it legal-tender, provided how it should be strung, regulated its quality, and tried to fix its value. Wampum was made legal-tender in Massachusetts, in 1637, for all sums under 12 pence; in 1641, for all sums under 10 pounds; and two years later for sums under 40 shillings. Tho the manufacture or the "coinage" of wampum from first to last remaind in private hands, there was some state control—as when it was provided in Massachusetts that beads should be strung in eight specified parcels, convenient for change, or that beads should be "intire, without breaches, both the white and the black without deforming spots." The ordinances of New Netherland complain that imperfect beads forced out of circulation elswhere [i. e. in New England] find their way to New Netherland and drive out those of better quality; they prescribe the reduced rates at which loose and imperfect beads shall be accepted, and penalties for refusing to accept such beads at the rates prescribed. Colonial laws attempted to fix the rates in the moneys of account at which wampum should be taken: thus, in 1637, Massachusetts declared that six beads should pass for one penny; Connecticut took four for a penny; and about the same time in New Netherland four past for a stiver, which was roughly equivalent to a penny. The fathom, equivalent to five shillings, or sixty pence, and consisting of 240 or of 360 beads, was the commonest wampum unit. (3) By 1640 the popularity of wampum was on the wane; by 1665 it was quite completely discredited as money both in New England and in New Netherland; yet instances are given of its use down to the close of century. The story of the decline may be gleand from the ordinances of New Netherland. An ordinance of 1641 shows that four beads then past for a stiver. This ordinance, a resolution in 1647, and an ordinance of 1650, all complain of rough, unpolisht stuff, imperfect, broken beads, beads of stone, glass, horn and wood; and fix a reduced rate at which such beads are to circulate. Ordinances of 1657 and 1658 lament "the great, excessiv, and intolerable dearness of all sorts of necessary commodities and household supplies;" declare that prices in wampum are 30-40 per cent higher than in beaver, attribute this to the abundance of wampum, and order that wampum thereafter pass at eight beads for a stiver. An ordinance later in 1658 declares that there is a difference of 80-100 per cent between wampum aud beaver prices, and orders store-keepers to sell certain necessaries at specified prices in silver, in beaver, and in wampum; thus, the baker is to sell a 2-lb. white loaf for 4 stivers in silver, 6 in

beaver, 8 in wampum. An official document speaks of wampum in 1659 as "a currency utterly valueless, except among New Netherland Indians only." The rate at which the beads were receivd at the company's counting house was reduced in 1662 from 16 to 24 for a stiver. Thus wampum was worth only one-sixth what it had been twenty years before.

At least three things contributed to the overthrow of bead money: it was no longer redily redeemable in beaver when the Indian trade declined; the tools of the white man flooded the markets with counterfits and multiplied the supply; the trade with the West Indies brought to the seaport towns considerable quantities of silver coin.

Other Commodity Money. The subject of colonial currency is complicated by the fact that the various colonies thruout the seventeeth century were incessantly passing, amending, and repealing laws providing that different staple commodities should be receivable for taxes or legal-tender in the payment of dets. It was the usual practis to fix by law the prices at which such commodities should be receivd. Payment in country produce, such as corn, oats, wheat, rye, barley, rice, peas, beef, pork, cattle, was cald "country pay," and was especially common. The early records of Harvard show that very little coin was receivd for tuition; even welthy men paid the tuition of their sons in country pay.

Corn was legal-tender in Massachusetts, 1631—1670, the authorities fixing the price each year at which it should be receivd. One Connecticut decree red: "No man shall refuse Indian corn at 2s. 6d. per bu. for any contract." Cattle were a common legal-tender and so it has been said, "Money in Massachusetts walkd into the public treasury." Great difficulty was experienced in keeping old and lean animals out. All sorts of articles were legal- tender in Rhode Island but at one time an attempt was made to make wool a standard and regulator at 12d. per pound. It was often the practis in the colonies to discount prices in country pay for coin. Many articles that have not been mentiond were currency at different times in different places: thus, rice certificates in South Carolina; iron bars in the slave trade; milk pails were once taken as legal-tender by the town of Hingham. Country pay was becoming uncommon about the close of the seventeenth century. The first tax rate ever levied in money in Massachusetts was in 1678. Constant attempts were made to regulate wages as well as prices of commodities. Thus, in Massachusetts we find the wages of carpenters, joiners, etc., fixt at 2s. per day. Fines were provided for those who gave or took

more. In 1636 power was given the towns to fix wages within their borders; yet four years later the general court, prices having fallen, enjoind laborers to reduce their demands accordingly. Every statute to fix wages or prices faild or was of very doubtful success, but new statutes were past almost continuously.

Some Monetary Principles. Money is an intermediate article in a trade, a medium in exchange. An article comes to be money in a community when people in general come to take it in exchange, not expecting to consume it but expecting to pass it on for something they do wish to consume. A medium in exchange becomes a denominator of all values and a standard for deferd payments. To perform these functions well it must be capable of mesuring all values without being unhandy, and it must remain stable in value. The price of any commodity is naturally that at which demand and supply are equalized, the price at which people stand redy to take just the same quantity of the article that other people stand redy to part with; if competition is free this price will tend to equal the cost of production of the portion of the commodity produced at the greatest cost, provided that portion is necessary to make the supply equal to the demand. In trying to fix the prices at which staple commodities should be exchanged, or the rates at which they should be legal-tender, or the rates of wages per day, the colonists disregarded this natural law of price or value. The result was that actual prices did not long conform to legal ones. When several commodities were made legal-tender at fixt rates, detors naturally paid their dets in that article whose legal price most exceded its natural value.

Colonial Paper Money. All the colonies issued more or less paper money. Massachusetts began it in 1690 to pay for an unsuccessful military expedition. But paper money was also issued by Massachusetts to meet ordinary expenses, to loan to individuals or companies, or for the encouragement of enterprizes deemd to be of public value. The value of the paper stedily sank until in 1749 it took eleven pounds in paper to buy exchange on England for one pound in silver. Then the Louisburg ransom money receivd from England enabled Massachusetts to redeem her paper at the rate of one pound sterling for eleven pounds of paper money.

In Rhode Island, the paper money epidemic was the most destructiv. The favorit scheme, tried also in other colonies, was that of "a bank,"—a bank ment "simply a batch of paper money," issued by the government, ordinarily loand to private individuals, secured by mortgages on land or otherwise, to be repaid in ten or twenty years, the in-

terest to defray the expenses of the colony. The security was usually insufficient, the interest and principal were often lost. When old issues put in circulation by the government had depreciated badly, new issues were orderd, one bill of the "new tenor" to be exchanged for several of the old. So there were often several tenors in circulation at the same time, "of different degrees of worthlessness."

Connecticut's experiments with paper money were at first conservativ, the issues were only for colonial expenses, their redemption was provided for by taxes, and the depreciation was not excessiv. Later, however, as safegards came to be disregarded, and issues increast, depreciation became pronounced; in 1755 it took 88 shillings in paper to buy one ounce of silver. The New Hampshire paper shilling was worth half a penny. In South Carolina exchange was 8 to 1 in 1740; in North Carolina 14 to 1; in Virginia, Pennsylvania, New York, and Maryland, it ranged from 1.20—2 to 1. New Jersey was also conservativ in her issues.

The issue of paper money by the colonies was a constant cause of friction between them and England and one cause of the bad feeling that led to the separation. The colonial governors were often under instructions to veto bills for paper issues, but when they exercized their authority they were apt to find that the colonial assemblies retaliated by refusing to vote the means of their support. About the middle of the eighteenth century Parliament past laws forbidding paper issues excepting in case of war or for current expenses, and forbidding that any bills issued should be declared legal-tender. The exceptions left the chances for some further issues. It has been estimated that colonial paper to the amount of ten or twelve millions of dollars was still in circulation in 1774. In preparation for the war all the colonies issued paper.

Some private paper circulated at times in the colonies. In 1733 the merchants of Boston united to issue notes redeemable in silver in ten years. In 1741 a grand private Land Bank was projected. A company was formd that proposed to issue a great quantity of notes, to be redeemd in twenty years "in the manufactures of the province" and secured by land mortgages. The scheme was fought by the governor of Massachusetts, and finally forced under an act of Parliament to wind up its affairs. Most of the projectors were ruind when required to redeem the outstanding notes, each one being liable to the full extent of his property. This bank caused great political excitement and much bad feeling. Other such schemes were tried at other times.

Under the Articles of Confederation

Paper Issues by States. During the Revolution the various states issued paper to the following amounts in millions of dollars, round numbers; Virginia, 128; North Carolina, 33; South Carolina, 33; Pennslyvania, 4; Massachusetts, nearly 4; other states, smaller amounts. After the war seven of the states—Rhode Island, New York, Pennsylvania, New Jersey, North and South Carolina, and Georgia—continued their paper issues. Shays's rebellion was largely a result of agitation for paper issues in Massachusetts.

The Continental Currency. The Continental Congress had no power to tax. It could advise that each state raise a certain amount for support of the war. The states complied or not, as they pleased. The country was engaged in a terrible struggle with a powerful adversary. To borrow abroad seemd impossible. It seemd equally impossible to borrow any large amount at home. The people were accustomd to paper money, yet a different generation than that which had experienced its evils was on the stage, and the lessons of the past were forgotten, or unheeded, or the resort to a desperate expedient was deemd inevitable. Congress began the issue of paper money without delay. Almost alone, Pelatiah Webster, of Philadelphia, pleaded for taxation insted. "Do you think, gentlemen," retorted a member of Congress indignantly, "that I will consent to load my constituents with taxes, when we can send to our printer and get a wagon-load of money, one quire of which will pay for the whole?"

The first issue was within a week after the battle of Bunker Hill. Fifteen millions were out before the Declaration of Independence was signd. It is not agreed just what the total issue during the war was—possibly it was $350,000,000 tho probably no more than $200,000,000 was out at any one time. The largest issues were in 1778, 1779, 1780.

The Story of the Depreciation. From different authorities it may be gatherd that the depreciation of the bills was about as follows: at the end of 1776 they were exchanging for silver, $2.00 for $1.00; at the close of 1777, $4.00 for $1.00; at the close of 1778, $8.00 for $1.00; at the close of 1779, $40.00 for $1.00; at the end of 1780, $75.00 for $1.00; during the next year the ratio was $500 or $1,000 for $1.00. The bills were now a laughing-stock. A barber shop was paperd with them; a dog was coated with tar and coverd with them; sailors had suits of clothes made out of their pay. They were "not worth a continental." In 1780 Congress provided for a new tenor, in the

shape of six-year, interest-bearing certificates, payable by the states and guaranteed by Congress, the old notes to be receivd in exchange for the new certificates at the rate of 40 for 1. The certificates soon sank to the place where it took eight dollars in them to buy a silver dollar. Thus a man with $320 in old tenor notes could get $8.00 in the new tenor or $1.00 in silver. In 1790, under the Constitution, the certificates, so far as they were then in existence, were receivd in subscription for the new bonds; the old tenor notes likewise, but at the rate of 100 for 1.

Attempts to Prevent Depreciation. The first notes issued were not legal-tender—Congress had not power to make them so. Later issues were made so by the states at the request of Congress. But legal-tender provisions did not keep silver from going to a premium. Congress denounced all who should refuse to receive the bills, resolvd that they were enemies of their country and should be precluded from trade and intercourse with other people. Washington wanted monopolizers, forestallers, and engrossers hunted down as pests to society, and their leaders hanged on gallows five times as high as the one prepared by Haman. Mobs took affairs into their hands and disciplind offenders. Goods needed by the army were taken by force and paid for afterwards in paper. Price conventions were held, fixing the prices that should be paid for imports and the advance upon these that retailers might charge. When these prices did not last, new conventions fixt new prices at twice, or four, or eight times the old. Nothing was left undone in the way of coercion or of fixing penalties to keep the value of the currency up. Congress resented in the strongest possible terms all insinuations that the paper might never be redeemd. In the end, when it did become worthless, the attempt was made to get along without any money and requisition in supplies were made upon the states. This plan, too, practically faild.

Consequences of Paper Issues. It has been claimd by some in defense of Congress and its paper issues that taxation or borrowing was impossible; that the issue of paper really operated as a tax and fell most heavily upon those who had the most; that to have redeemd it eventually would have done little to right matters inasmuch as the holders of bills at that time were not the only ones who had lost thru them—all having sufferd thru them who had ever kept any of them for any length of time. In answer, it is claimd that the people in their patriotism and enthusiasm would have submitted to taxation if it had been provided for at the start; that borrowing would have been possible if systematic taxation had been arranged for; that there was no just principle of taxation followd in such an apportion-

ment of the burdens of war. The following quotation is from Webster: "We have sufferd more from this cause than from every other cause or calamity. It has killd more men, pervaded and corrupted the choicest interests of our country more, and done more injustis than even the arms and artifices of our enemy."

From the Adoption of the Constitution to the Civil War

Acts of 1792. Gold.—This Act provided for the coinage of the eagle, the half-eagle, and the quarter-eagle. The eagle containd 247.5 grains of pure gold and 270 grains of standard (11-12 fine) gold. The other pieces were of proportional weight and of the same fineness.

Silver.—Dollars, halvs, quarters, dimes, and half-dimes were provided for. The silver dollar was modeled after the Spanish milled dollar and containd 371.25 grains of pure and 416 grains of standard silver. The smaller pieces were of proportional weight and the same fineness. It is worthy of note that the amount of the pure silver in the silver dollar remains the same today.

Copper cents and half-cents were authorized. All the gold and the silver coins were of unlimited legal tender. Coinage was free and gratuitous. This ratio of coinage, which it will be seen was just 15: 1, in comparison with the French ratio of 15.5 : 1 establisht later, and in comparision with the market ratio in succeding years, slightly overvalued silver; one ounce of gold, worth in America only 15 ounces of silver, when taken to France would buy 15.5 ounces of silver, and this silver brought back to the United States could be exchanged for more gold than that used to buy it. In consequence of this profit in exporting gold, our gold coins refused to stay in the country, and only about $12,000,000 in gold was coind up to 1834. Our money, so far as coins are concernd, was nearly all silver.

Acts of 1834 and 1837. By the Act of 1834 the gold eagle contained 232 grains of pure gold and 258 grains of standard gold and was thus nearly 9-10 fine. In 1837 2-10 of a grain was added to the weight of pure gold in the eagle to make it exactly 9-10 fine. Corresponding changes were made in the other gold coins by the Acts of 1834 and 1837. In 1837 the alloy in the silver coins was changed slightly, the silver dollar now containing 412.5 grains of standard silver, and the silver coins being 9-10 fine. The ratio of coinage was, in consequence of these acts, fixt at 15.988 : 1. This ratio undervalued silver, it refused to stay in the country, the coinage of the dollar was stopt, and the subsidiary coins were

finally, by the Act of 1853, reduced in weight (half-dollar made to contain 192 grains, etc.), and made legal-tender to only five dollars. Gold thus became the principal metal in circulation. It is an economic law, called Gresham's law that a poor money drives out a good money; both before and after 1834 it was the money that was not quite worth its face value that drove out the other.

Double eagles and dollars of gold were authorized in 1849 but the coinage of the latter was stopt in 1890. At different times various foren coins have been current in the United States. Many laws have been past regulating the rate at which the several coins should pass. They were not all deprived of legal-tender quality until 1857.

United States Tresury Notes. During the period under discussion tresury notes were issued many times by the United States. The second war with England was the occasion of issues 1812-15 as the war with Mexico was of issues 1846-47. The crises of 1837 and 1857 gave rise to issues. The operation of the Compromise Tariff made issues necessary in the early forties; the available balance of the tresury in May, 1841, having sunk to about $26,000. It is hardly proper to look upon any of these so-cald tresury notes as money. They were in large denominations and did not circulate much. With one exception they bore interest, were payable to order, and were utterd at par. They were not legal-tender between individuals but were receivable for customs, taxes, public lands, etc.

Banks of the United States. Under the Articles of Confederation, the general government had charterd the Bank of North America. It issued some notes, which circulated well. The bank ran only a short time under its federal charter and then was incorporated under the laws of Pennsylvania. The First Bank of the United States was charterd in 1791 for twenty years and it came to an end in 1811, when bills to renew its charter were defeated. The Second Bank of the United States was charterd for twenty years in 1816. The history of these banks, excepting so far as their note-issues are concerned, the story of the services they renderd the country, of how they got entangled in politics and lost consequently their lives—all this belongs rather to a history of finance and of politics than to a history of money.

The circulation of the First Bank was limited only by a provision in its charter that its dets, not counting liabilities for deposits, should not excede the amount of its capital stock. In practis, its circulation was kept well within bounds, an ample specie reserv held, and the

notes, when the career of the bank ended, were settled in full. The notes were not legal-tender but were receivable for public dues so long as redeemd in coin on demand. The bank was located at Philadelphia and had branches in eight other cities.

The Second Bank of the United States had the privilege of issuing notes to the amount of its capital, $35,000,000. They were redeemable in coin on demand and failure so to redeem them was to be punisht with a penalty of twelve per cent per annum. The notes were receivable for all public dues. About $23,000,000 was outstanding at one time. After the bank faild to get a renewal of its charter it was incorporated under the laws of Pennsylvania, had a precarious existence for a few years, and then went into liquidation. Its liabilities were met in full but its stockholders were ruind.

Bank Circulation in New England. The New England banks were, with some few exceptions near the close of the period, charterd banks, incorporated not by general law but by special acts of the various legislatures. They were thus legal monopolies. Their circulation was based upon assets, not upon securities deposited with the state. During the period the restrictions in the charters concerning the circulation became gradually stricter; it came to be provided by law that the circulation of a bank must not excede 100 or 125 per cent of its capital; note-holders of banks that had faild were given first lien upon the assets; officers or stockholders were made personally liable for notes unredeemd; finally, it was provided that specie reservs must be held against circulation. Such was the general drift of legislation during the period concerning circulation.

A system of note-redemption introduced by the Suffolk Bank of Boston and commonly known as the Suffolk System, was of great value in giving New England a good currency. In early days the notes of New England country banks, being at rates of discount in Boson depending upon the inconveniences in getting them home for redemption, had driven the Boston banks' notes out of circulation in Boston itself. The Suffolk Bank then offerd to receive at par the notes of such country banks as would keep deposited with it funds for the redemption of their notes and small deposits besides. The country banks at first promptly rejected the proposition, considering that it was a proposal to make them pay for having done exactly what they did not want done. Then the Suffolk Bank began to collect systematically the notes of country banks and to send them in large quanities home for redemption. To stop this the country banks had to accept Suffolk scheme.

The plan gave New England bank notes redy currency not only in but far beyond New England, and the Suffolk Bank exercized great power for good over the allied banks. In later years the Bank of Mutual Redemption, establisht by the country banks themselvs, divided with the Suffolk Bank, the labor and profits of the system.

Scatterd thruout the period and specially during the crises of 1814, 1837, and 1857, there were of course failures of banks in New England; yet the record as a whole is an honorable one. New England banks did not suspend specie payments during the first crisis; during the later two they did.

Bank Circulation in New York. The plan of establishing banks by special charter, which was followd with fair success in the New England States, was productiv of many evils in New York. Whichever political party chanced to be in power, it would charter no banks except for its political friends. Many banks got charters by bribing the legislature. The subscription for shares of stock after a charter was secured, was controld by commissioners who made political spoils out of their powers. Then a constitutional amendment was adopted requiring a two-thirds vote of the legislature before a bank could be establisht. This simply made more bribery necessary. Finally, in 1838, after a political revolt led by the loco-focos against monopolistic banking privileges, a free banking law was past.

Before its system of charterd banks was abandond, New York tried the experiment of a safety-fund for the security of the creditors of banks. Each bank paid a small per cent of its capital into this fund. When a bank faild, after its assets were exhausted, this fund was applied to the settlement of its dets. Later the law so changed that note-holders had the first claim among the bank's creditors. The scheme was, upon the whole, a success altho the fund became exhausted during the later days of the experiment and the state had to extend temporarily its aid to meet promptly the claims of creditors of several banks that had faild. The state was eventually reimbursd, however, and not one dollar was lost on the note of a bank whose circulation was protected by this safety fund. The fund, it would seem, ought to have been raised thru a tax on circulation and to have been used only to protect note issues.

Under the free banking law of 1838 any person or association of persons could go into the banking business by depositing with the controller certain securities in return for which the controller furnisht unsignd bank notes. This was free banking insted of monopolized

banking and was circulation based on securities deposited insted of on assets. The bank got the interest on its deposited securites so long as it redeemd its notes on demand. The law was very popular. Many new banks were formd. Many failures occurd during the first year because poor securities had been accepted. During the later years failures were fewer and losses on circulation small.

Free Banking in Other States. New York's free banking law was the model or instigation of free banking laws in a score of states. It is possible to speak only in a general way of the evils that resulted. One wonders as he reads of them that such things could have happend hardly two generations ago. The ordinary career of a bank in the Middle West or in the South has been described as something like this; A clique of worthless men organize for banking purposes; they scrape together questionable securities, buying them mostly on credit, deposit them with the state officials, get in return blank bank notes, sign these and with them pay their securities; with the balance of the notes, get more securities, then more notes, etc.; their surplus of notes they manage to buy things with, to get into circulation in some way; their bank they locate in the most out-of-the-way place they can find so that it will be next to impossible for anyone to get the notes home for redemption. If the law requires that capital be paid in before the bank begins business, the stockholders pay in what is necessary and then borrow it back on the security of their stock; if a certain amount of specie must be kept on hand, it can be borrowd from a neighboring bank when the state inspector comes. When the notes have been kept out as long as possible, and begin to be presented for redemption, the bank fails without a struggle.

An Indiana bank starting with an actual capital of $10,000, workt up in the manner described above a circulation of $600,000. Fifty-one of the ninety-four free banks of Indiana suspended before the panic of '57 came. In Michigan the state inspectors discoverd that one lot of specie was traveling before them and serving as the reservs of each bank visited. One bank had $24,000 in notes out and no record of it on its books; the bank held $100 in specie. Many of the banks were located, "in the depths of trackless forests where there was no human inhabitant, where wild-cats abounded." The banks came to be cald wild-cat banks. Forty of the free banks were organized when the law was first past in Michigan and all but two faild within two years. Things were hardly better in Wisconsin. We read of bank riots in Milwaukee. In Illinois the law provided that the notes be redeemd in

specie at the banks' counter, yet some of the banks did not have any counters; they were located in hired rooms, in places remote from railroad stations, and situated on bottomless prairie roads. (White's Money and Banking). Of 120 existing at one time in the state, only seven were left in 1861; on a circulation of twelv millions, the loss was 40 per cent. Lists of banks with an estimate of the worth of their notes were publisht in the newspapers, subject to constant change. Merchants posted such lists in their stores. Everybody had to be on the lookout for counterfits.

States as Bankers. The Constitution of the United States prohibited the states from issuing bills of credit. The Supreme Court has decided, however, not only that a state may incorporate banks with the power to emit bank bills but that the state itself may have an interest in such banks, the banking corporations of course being suable in the courts. Several states tried their fortunes as bankers during the period. Some of the banks in question were entirely ownd and controld by their states. Thus, in the early years of the century, Vermont ownd a bank; and the state was obliged to levy a land tax a few years later to redeem its notes. The first state bank in Kentucky was partly ownd by the state, was well managed and only brought to ruin by the failure of a second state bank whose notes it had been forced to accept. This latter bank was entirely ownd by the state. The legislature of Kentucky tried to force detors to take its depreciated notes; the courts of the state declared the attempt unconstitutional; then a legislature, elected on the issue, attempted to do away with the old Appellate Court and establish a new one. This action, too, the old court declared unconstitutional. The matter was finally settled thru an election in which the "Old Court" party triumphed. The bank was later deprived of its power to issue notes, which by this time nobody wanted, and later the state reverted with better fortune, to the policy of part-ownership in banks. The State of Alabama set aside several permanent funds and issued about $14,000,000 in bonds for the benefit of its State Bank. The directors had practically unlimited power to issue notes. Direct taxation was abolisht and bank money set aside to pay the expenses of government. When the affairs of the bank were finally wound up in 1845 the state not only had lost the permanent funds invested, but was saddled with a det of $4,000,000. It has been estimated that the people of Alabama have paid in taxes ever since about $1,000 per day as the cost of the experiment. Illinois after some experimentation as part-owner in a few banks, became sole proprietor of one

that existed during the decade 1821-1831. This bank had no specie capital. The capital, so-cald, was the $300,000 in notes that the bank issued, and that were loand thruout the state "to anybody that could get an endorser." The notes quickly went far below par. Some of them that were on hand were orderd by the legislature to be burnd in the public square of Vandalia in the presence of the Governor and the Supreme Court of the state. In the end the state borrowd $100,000 and redeemd the notes that were outstanding. The total loss to Illinois was about $400,000. Later ventures in which the state was part-owner also turnd out disastrously.

A plan tried by some of the southern states was to issue to a bank, authorized by the state, bonds for the redemption of which the credit of the state was pledged. The bank proceded to market the bonds and to make discounts and issue bills on the strength of the procedes. The state's benefit was to come, perhaps, from some share in the profits. Florida, while yet a territory, was bonded for large sums to set up a bank; Louisiana issued $17,000,000 in bonds for three banks, all of which faild; Arkansas after two experiments, found herself with a bonded det of $5,000,000; Mississippi likewise issued bonds, which bonds she afterwards repudiated upon the plea of something unconstitutional in their issue.

In a very few cases the records of the state banks were creditable. The Bank of Indiana was a complete success, as was the Bank of South Carolina. Delaware has still an interest in a bank that has existed for nearly a century. It of course issues no notes now.

The Period of the Civil War

The Financial Situation. Under the operation of the Tariff of 1846 receipts from customs had become large, averaging annually during the last five years $61,000,000; during the same period receipts from the sales of public lands had been large; each of the eight fiscal years ending with that of 1857 had witnest a substantial excess of government receipts over expenditures. The situation warranted the passage of the Tariff of 1857, with its reduced rates of duties. But no sooner was the Act past than everything seemd to go wrong. A period of financial depression arrested the growth of importations, and this with the drop of seven or eight per cent in the average ad valorem rate on all goods, resulted in a reduction of $15,000,000 per annum in the customs receipts; and the receipts from the sale of public lands, which had reacht a max-

imum of $11,500,000 in 1855, fell to less than one million dollars in the fiscal year of 1861. Meanwhile government expenses, particularly those for public bildings, and for roads and canals, had increast. The net result was a deficit of about $20,000,000 for each of the four fiscal years ending with 1861. Near the close of 1857, tresury notes were authorized; they were issued at par at reasonable rates of interest, varying from three to six per cent. A fifteen-year, five per cent loan, negotiated the next year, sold at an average premium of 3.59. Then came a change. Another loan, of $21,000,000, at 5 per cent for ten years, was authorized in June, 1860. Ten millions of this was advertized in September; bids were receivd for the amount at par or above, but after the election of Lincoln in November, as it became evident that war was inevitable, a commercial crisis ensued, and some of the bidders forfited their deposits; in short, it was found impossible to float much more than one-third of this ten-year, five per cent loan at par or above, as the law required, and the remainder of the loan was withdrawn from the market. Nor was an attempt to float tresury notes much more successful. An issue to the amount of $10,000,000 was authorized in December, 1860. Meanwhile, Secretary Cobb had gone home to become a little later vice-president of the Confederacy. His successor, Thomas, invited bids for half of this loan; offers for only $1,831,000 were receivd at 12 per cent or less; these offers were accepted. Banks of New York were finally persuaded to take the rest of the $5,000,000 at twelv per cent. Fears were entertaind that Secretary Thomas designd putting this money where it would be captured by the confederates, and the payment was not completed until Dix had become Secretary. The other half of the loan was now taken at an average interest rate of 10$\frac{5}{8}$ per cent. A loan of $25,000,000 was authorized in February, 1861, the bonds being 10-20's and bearing 6 per cent interest; $8,000,000 of this, offerd immediately, went at 10 per cent discount. The Morrill Tariff Bill, past after many Southern senators had resignd, went into effect April 1, when Lincoln had become President and Chase his Secretary of the Tresury. It containd a provision for a $10,000,000 loan and provided, too, that 6 per cent tresury notes, receivable for dues to the government, redeemable at any time under two years, and exchangeable for 6 per cent bonds, could be issued, but not below par, in place of any bonds alredy provided for and not sold. A second $8,000,000 of the $25,000,000 loan was now put out in such tresury notes and in bonds, about three-fifths being in the latter and at rates that ran down to 94. The remaining $9,000,000 of the loan brought the tresury about $7,900,000, most of the

sum being for bonds at 85. The tresury paid out about $27,000,000, for dues or for cash, in tresury notes issued under the Morrill Act and in lieu of bonds provided for in June, 1860.

Suspension of Specie Payments. Congress met in special session July 4, 1861. Adopting substantially Chase's recommendations, it sought to provide for the anticipated increase in ordinary expenses for the coming year by laying revenue duties on coffee and tea, and by raising rates on sugar and molasses; by a direct tax of $20,000,000 to be apportiond among the states; and by an income tax of 3 per cent upon incomes over $800. The extraordinary or the war expenses for the year, it was proposed to meet by borrowing, and authority was given to borrow $250,000,000 on twenty-year bonds and tresury notes; bonds bearing seven per cent interest to be issued at par or above, and those bearing six per cent not to be sold below a price that would be the equivalent of par for seven per cent bonds; tresury notes to be 7.3 per cent, three-year notes; 3.65 per cent, one year notes; no-interest demand notes, amount limited to $50,000,000 but later raised to $60,000,000; or 6 per cent notes payable at any time within twelv months.

Banks of New York, Philadelphia, and Boston undertook to take the new government securities to the amount of $150,000,000. The business depression had left them well-equipt with means. The first $50,000,000 was taken in August in 7.3 per cent, three-year tresury notes. The government opend agencies all over the country for the sale of these notes on account for the banks, but sales were slow. October 1, however, a second $50,000,000 was arranged for in the same securities. Sales to the public now proved so slow that the government agencies were abandond and the banks took the soliciting of popular subscription into their own hands. A third $50,000,000, this time in 6 per cent, 20-year bonds at 89.32, was taken the middle of November. It was hoped that this type of security could be marketed in Europe. Until early in December, altho the banks had engaged to loan two and one-half times their aggregate holding in specie, things had done well. If the sale of securities had been slow, government disbursements had been rapid so that coin found its way from the tresury back into the banks in the course of a few days. The demand notes that were being issued by the government were an annoyance to the banks, tending to displace bank paper and requiring separate deposit accounts if the banks did not wish to redeem them in coin. Secretary Chase insisted, too, that the banks pay coin into the subtresuries for the securities purchast, while the banks had expected simply to credit the government with the amounts

due it and to cash its checks against its deposits in whatever money the drawees might be willing to accept—a procedure that Chase claimd, possibly wrongly, would not have been warranted by law. Early in December the report of Chase to Congress showd a very discouraging condition of government receipts and expenditures, and containd no comprehensive plans for sufficient taxation. About the same time the Trent Affair seemd to make a war with England highly probable. The prices of government securities fell, sales of securities stopt, depositors began withdrawing their deposits from banks, disbursements made by the government ceast returning to the banks, other banks began to draw heavily upon their New York correspondents. New York banks lost $13,000.000 in specie within three weeks; while the holdings in coin of the New York banks six months before had been half their deposits, now their specie holdings were reduced suddenly to about 18 per cent of their deposits. The New York banks suspended specie payments December 30; the United States tresury and most of the banks of the country soon followd their example.

The Issue of Legal Tender Notes. February 25, 1862, President Lincoln signd his name to a bill that has been calld the most momentous financial step ever taken by Congress. It authorized the issue of $150,000,000 in United States notes, $60,000,000 of which were to be used in retiring the demand notes of the previous year. The new notes, speedily known as greenbacks, were exchangeable for 5-20 six per cent bonds, $500,000,000 of which were authorized; five per cent interest was to be paid upon limited deposits of greenbacks at the tresury; they were made legal-tender for all dets, public and private, except duties on imports and interest on the public det; The bill originated in a subcommittee of the Ways and Means Committee of the House of Representativs, of which subcommittee Elbridge Spaulding of New York was chairman. Only after many misgivings did Secretary Chase bring himself to support the bill, and only after bitter opposition and a long debate was the bill finally past. The opponents of the mesure assaild it upon constitutional, moral, economic, and fiscal grounds. Their argument ran in part as follow:

The proposed notes differd from any that had ever been issued in that they bore no interest, were payable at no fixt time, and were a general legal-tender. Not only had no such law ever been past, but no such law had ever been voted on, proposed, introduced, or recommended by any department of government. It was unconstitutional in that it contemplated a wholesale violation of contracts. It said to the creditor,

"You are entitled by contract to receive one thing; you shall take another." The government was saying to a man, "Here is my note; if I do not pay it, steal the amount from the first man you meet." Power to pass such a law would surely have been accorded a place among the express grants of the Constitution—yet no one could put his finger upon any such grant. But the power was said to be incidental to a great variety of express grants: Congress had power to support armies, *ergo*, to issue legal tenders; it had power to borrow money, pay the dets of the United States, *ergo*, to issue legal-tender notes; it had power to coin money, to regulate commerce, *ergo*, *ergo*, etc. All this was the merest subterfuge. There were ways clearly constitutional for borrowing money, paying dets, and supporting armies. In the power given Congress to regulate commerce, the reference was only to interstate commerce. In the power to coin money, the obvious meaning was metal money. Such a law would subvert the Constitution, and that was all the Southern rebels were trying to do. Economic theory and economic history alike condemnd irredeemable paper. It was as impossible for Congress to legislate the value of anything up as it was for it to make heroes by legislation; Congress could legislate a value down—it could do that by trying to legislate it up. All history taught the miserable folly of trying by legislation to change lampblack and rags into money. Had any government ever stopt with a single issue of irredeemable paper? If so, when? Hadn't a first issue always begotten a second, a second a third, and so on? And had dire penalties for refusing irredeemable paper ever kept its value up? Did the awful declaration of the Continental Congress that he who refused paper was an enemy of his country keep the continental currency from becoming worthless? Or had the deth penalty saved the French assignat? Had Americans ever red how the old soldier[illegible] Denmark used to light their pipes with irredeemable paper? How a[illegible] Europe, in short, had had similarly bitter experience? The history of the particular notes in question it was not hard to predict. They were to go forth into the world stampt with irredeemability, with the mark of Cain, and like Cain they would become vagabonds and fugitivs on the earth. The currency would be expanded; prices would be inflated; fixt values would depreciate; incomes would be diminisht; the savings of the poor would vanish; the hoardings of the widow would melt away; bonds, mortgages, and notes, everything of fixt value, would lose their value; everything of changeable value would appreciate; the necessaries of life would rise in value; silver and gold would disappear; the government would have to pay two- or threefold for every-

thing that it bought; the cost of the war would be multiplied. Might not the government as well sell its bonds at twenty-five per cent discount as to pay twenty-five per cent more for all that it bought? But it was said United States bonds could not be sold for more than sixty cents on the dollar; if so, we could stand the forty per cent shave to save the Constitution to ourselves and our children. Issue these notes and the day of reckoning must come; private ruin and public bankruptcy, either with or without repudiation, would inevitably follow. The bill was a confession of bankruptcy, an exhibition of bad faith, an encouragement to bad morals, a stain upon national honor. There was "no precipis, no chasm, no yawning, bottomless gulf before the Nation, so terrible, so appalling, so ruinous as the bill before Congress."

To such arguments the advocates of the bill made answer: If the contemplated mesure was unprecedented, that was simply because the Nation had never before been in such straits. As to the mesure's violating the sanctity of contracts, he who made a contract did so with the Constitution and the powers of Congress before him. It was clearly the spirit of the Constitution that Congress should have power to provide a money for the whole country; nowhere was gold or silver mentiond; if they became too plentiful or too scarce, Congress could undoutly select some other substance; it could, thru its power to regulate the value of coin, put as little as it pleased of metal or of value into coin; it had been the practis of most of the colonies before the Revolution to issue legal-tender bills of credit, as it was the practis of most soveren nations of the time; nowhere did the Constitution deny to Congress, the power to issue bills of credit altho the right was denied to the states; it was difficult then to see how the makers of the Constitution could have intended that Congress should not have this power. Again, Congress had power to borrow money; then, couldn't it borrow on demand notes, suited to circulate from hand to hand? and the right of Congress to issue notes having long been conceded, was the power to give them the usually concomitant legal-tender quality to be denied? Could notes that no man need take be as valuable as those that all men must take? A written Constitution, consisting of only a few pages but intended to last for all time, left, of necessity, much to implication; had Congress no powers but its exprest powers, the government could not live a week; and when the Constitution empowerd Congress to pass all laws necessary and proper for carrying into execution exprest powers, the meaning was, as the Supreme Court had held, that Congress might employ, not simply all means absolutely and indispensably necessary,

but all means that Congress might itself judge to be appropriate and conduciv to the end to be accomplisht provided such were not expressly prohibited to Congress in the Constitution. It followd that Congress, thru its power to raise and support armies, could adopt the means of doing so that at the time seemd appropriate and feasible, and what was the issue of legal-tenders, along with the laying of taxes and the selling of bonds. The problem of the time was not whether we could raise men but whether we could raise money. The very existence of the government dependent upon the successful administration of its finances; crippled and balkt here, we were baffled everywhere; nobody was opposed to the mesure on constitutional grounds unless he was at hart opposed on other grounds; the opposition was wearing the usual mask of constitutional objections; in face of the necessities of the situation the question of the constitutionality of the act was hardly worth considering at all; it was better if need be to violate a portion of the Constitution than to allow it all to be destroyd. As to economic theory and economic history, their teaching was not that irredeemable paper was in itself bad but that over-issues of it were bad; unless the supply of money exceded the demand, it couldn't depreciate; the continental currency had not depreciated until issued to enormous excess; England had resisted Napoleon twenty-five years, and prosperd, while specie payments were suspended and Bank of England notes were virtually legal-tender; irredeemable paper was like the medicine which moderately taken was the cure for many ills, but taken in excess became itself a poison. America would stop short of over-issues and without over-issues there were no evils necessarily connected with legal-tender notes. Fiscally, what other course was possible? Surely not much dependence at such a crisis could be put in the notes of suspended state banks. If the proposed new national banking system could not be organized in time, if the amounts needed could not be realized from tariff and tax bills what then? Was the government to go shinning thru Wall street hunting money at ruinous rates of discount, like an individual in failing circumstances sure to be used up at last? It was better to assert the power and the dignity of the government, issue tresury notes, make them legal-tender for all dets, public and private, and pledge for their redemption the faith, the honor, the property of the loyal people of the whole country.

Within three or four months after the first issue of greenbacks the tresury found itself in comfortable condition; but as it was clear this condition could not long continue; at the request of Mr. Chase, Congress authorized another issue of $150,000,000 in July, 1862. The pay of the

soldiers having fallen into arrears, Congress, contrary this time to the advice of Mr. Chase, authorized another issue of $100,000,000 the following January, and this amount was increast to $150,000,000 in March. In June, 1864, Congress pledged that no further greenbacks should be authorized.

The Establishment of National Banks. In his report in 1861 Mr. Chase recommended the establishment of a system of national banks. The matter was pusht aside, temporarily, in Congress by mesures that promist quicker financial returns. In his report of 1862 Mr. Chase repeated his recommendation, and President Lincoln in his message of the same year supported him. The proposition had aroused much interest thruout the country and Congress now turnd in earnest to its discussion. A bill introduced in the Senate by John Sherman past that body without a vote to spare, past the House, and was signd by President Lincoln just one year from the day on which he signd the first legal-tender bill. The principal arguments for the mesure, made mainly by Mr. Sherman, were very briefly, as follows: The central idea of the bill was the establishment of one uniform bank currency thruout the land, a currency supported both by ample private capital and by federal bonds; to secure to the government absolute control over paper issues and yet not to affect injuriously local banks. At the prospect of war, with the suspension of specie payments, when coin had disappeard from circulation, the government had found itself without any legal currency in which to transact its business, for the law forbade the receiving of state bank notes at the tresury; the situation had demanded an immediate rather than a permanent remedy and greenbacks had been issued; they had proved of great service, but nobody had regarded their issue as more than a temporary expedient; the trouble with the greenback was that it was not convertible; it was good, but nobody was bound to redeem it; it had alredy depreciated, and the proposition, coming from the House of Representatives, to issue $300,000,000 more in greenbacks had raised the price of gold 30 per cent within three or four weeks; clearly no further greenbacks could be issued; and after the war was over the greenbacks should and would disappear, being exchangeable as they were for bonds; but the need for paper money would continue; history had demonstrated that public faith alone could not sustain paper issues; in searching for a proper and permanent paper currency, it was necessary to look for one founded upon both individual and national support. The paper of state banks was no more acceptable as a permanent currency than was the greenback; in the time of war private

paper became the enemy of government issues; with the supension of specie payments the power of local banks to issue paper became equivalent to the power to coin money; the banks, relievd from the necessity of keeping coin reservs, were increasing their issues with every issue of greenbacks: that it was that was leading to inflation; nor would a state bank currency authorized by varying laws of two or three dozen states do even in the time of peace; there were in existence state banks with branches, and state banks without branches, independent banks, free banks, private banks, charterd banks of endless variety, and banks organized under numerous and different general laws; in some states there was supervisions, and reports, and examinations, but in other states there was nothing of all this that was at all worthy of the name; circulation was based upon an endless variety of securities; less than one-fourth of the circulation of the country was based on bonds of states; the people were suffering continual loss thru such a system, and when hard times came their losses would be multiplied; there were 1,500 banks in existence with 7,000 varieties of genuin notes, 1,861 kinds of imitations, 3,039 kinds of alterations, and 1,685 varieties of spurious notes; now it was proposed to establish, a system whereby all this state bank money easily and without injury to anybody, should be absorbed; the proposition was to substitute for this heterogeneous paper of 1,500 state banks, one uniform paper, secured by a reserv of twenty-five per cent on deposits and circulation, by the liability of stockholders to twice the value of their stock, by first lien on all the bank assets, and by government bonds. Various other reasons would suggest themselvs for the passage of the bill; the new banks would be obliged to buy government bonds upon which to base their circulation, and thus would be afforded a more favorable market for the bonds than was to be secured in any other way; this new market for the bond would raise its worth everywhere; taxes could be paid in national bank notes, and the people thus would be obliged no longer to buy, with state bank notes, greenbacks for the purpose; national banks would become depositories for government money, the deposits being secured by bonds; the issue of notes would be limited to $300, 000,000, an amount that would not mean inflation for the state bank paper would gradually disappear; the bill would bring benefit to the state banks themselvs and secure to their new notes wider circulation; it would gard them as well as the people against fraud; it would foster the spirit of nationality; indeed, we could not preserv our nationality without a national system of finance, the defeat of the bill ment the acceptance of the proposition to issue $300,000,000 in greenbacks with all

the evils necessarily involvd; it was easy to find objections to the mesure, but could somebody suggest something better?

Provisions of the National Banking Law.[1] The act of 1863 was largely recast in 1864; many changes, too, have been made in it since then. It will be best to outline the law as it is now (1910). The banks are in charge of the Controller of the Currency, who may give to any five persons, if he sees fit, a bank charter, good for 20 years and renewable for 20 more. Banks in places of less than 3,000 population need have only $25,000 capital; in places between 3,000 and 6.000 they must have a capital of at least $50,000, etc. Half of a bank's capital must be paid in before it starts, and the rest must come in 10 per cent a month thereafter. Shareholders are liable for their stock and to an equal amount in their private property. The banks have all the ordinary banking powers, including that of issuing notes. In general they cannot hold real estate, nor can they loan on realty. A bank with a capital of $150,000 or less must buy United States bonds to a face value of one-fourth of its capital; larger banks buy $50,000 in bonds. If these bonds are deposited at the United States tresury, the bank receives blank bank notes to the amount of their face value; these it may sign and circulate. They are receivable for all dues to the United States excepting customs and payable for all federal dets except interest on the public det. Every bank must redeem in lawful money its own notes on demand, and it must take in its transactions the notes of other banks. A deposit of five per cent of its circulation must be kept by a bank with the United States tresury for the redemption of any notes presented them for redemption. Circulation based on two per cent bonds is taxt one-half of one per cent annually; if based on other bonds, twice that amount. Local taxes can be laid upon bank shares only. Banks giving satisfactory security may be made depositories of public money. Any city of 50,000 population may be made a reserv city upon petition of three-fourths of the national banks in it; similarly a city of 200,000 or over may become a central reserv city. Reserv and central reserv cities must keep in reserv in lawful money an amount equal to 25 per cent of their deposits; other cities must keep 15 per cent reserv; but half the reserv of a resery city may be kept on deposit with an approvd bank of a central reserv city; and three-fifths of the reserv of a smaller bank may be deposited with a reserv city bank. Its five per cent deposit at Washington may be counted as part of a bank's reserv. A bank must put aside ten per cent of its net profit each year until it has a surplus fund that is one-fifth of its capital. Five regular reports are made to

[1] For the Emergency Currency Act of 1908, see page 38.

the Controller each year, statements must be publisht, and the books open to the inspection of examiners. At the order of the Controller at any time a bank must wind up its affairs.

Summary of Currencies During the War. Nearly a quarter of a billion dollars in gold was in circulation in the loyal states at the approach of the war; after the suspension of specie payments all of this speedily disappeard with the exception of twenty to twenty-five millions which remaind in circulation on the Pacific slope, where public opinion successfully fought the introduction of the greenback. The forty or more millions in subsidiary silver, the coins having been debased in 1853, did not vanish so quickly; as the premium on gold continued to rise, however, it soon became profitable to ship such silver to Canada or Europe, and it was all exported or hoarded excepting about three millions that remaind in circulation in California. The big copper cent and half-cent of 1792 had been replaced in 1857 by a smaller cent of 72 grains, 12 per cent being in nickle, which was thus the only minor coin. The demand for this became so great after the disappearance of subsidiary silver that it went to a premium; eventually, too, as greenbacks went lower and lower it became intrinsically more valuable than they, and was hoarded or melted up for the nickle in it. It was replaced by our bronze cent 48 grains, 95 per cent copper, 5 per cent tin and zinc, in 1864. A two-cent piece of like composition was authorized at the same time (discontinued in 1890). A three-cent nickel piece was authorized in 1865 (discontinued in 1890). Our five-cent nickel, three-fourths copper and one-fourth nickel, came in 1866. It and the bronze cent are now legal-tender up to twenty-five cents. The small change famin during the war led to many devices: dollar bills were cut into halvs or quarters; private parties, firms, corporations, contrary to law, issued tickets, tokens, checks, "shinplasters," for circulation; banks and municipalities issued small notes; postage stamps came to be used, and their use was authorized by law in July, 1862; fractional paper currency was authorized to replace the postage currency in March, 1863, both being redeemable in greenbanks. The old demand notes to the amount of fifty or sixty millions were in circulation only a short time. The greenback circulation eventually, as we have seen, reacht $450,000,000. The state banks after the suspension of specie payments and the issue of greenbacks had expanded their circulation to nearly a quarter of a million, but after the national banking law was past their notes were driven out of circulation by federal taxation, the rate finally reaching 10 per cent. National bank notes came into

circulation extensivly during the last year of the war. Interest-bearing legal-tender tresury notes of three varieties were issued in large amounts in the closing years of the war; they enterd into circulation somewhat and were held by banks extensivly for reservs. Certificates of indetedness and 7-30 tresury notes of 1864 and 1865, tho not legal-tender, were used to some extent as currency.

Effects of Legal Tender Issues. The relativ values of gold and greenbacks changed constantly during the war. In February, 1863, a greenback dollar went as low as 58 cents in gold; in August its lowest value was 77 cents; In July, 1864, the lowest was 35 cents; 1865 closed with greenbacks at 67 cents. The gold had disappeard from circulation; it was in demand for customs, foren remittances, for hoarding, and for speculativ purposes. A feverish trade in it sprang up, as at the "gold room" in New York. It was a question with the public whether people gambled in gold because it fluctuated or whether it fluctuated because of gambling in it. At one time such speculation in gold was forbidden by law; that made gold harder to find, the premium on it went higher, and the law was hastily repeald. All this time gold, a world commodity, was not fluctuating violently abroad; and, in general, prices of commodities in it here were not changing extravagantly; and, that it was exported in large quantities thruout the war, seemed to indicate that it was no more valuable here than abroad. Especial demands for gold at particular times, manipulations of speculators, corners in the market, etc., unquestionably had their temporary effects, but the main difficulty seems to have been with the greenback. Legal-tender provisions could affect only existing obligations; sellers could still make a difference between gold and greenback prices for their goods; that greenbacks were receivable for excises could not be expected to hold up the value of such extensiv issues; that the greenback was exchangeable for bonds helpt little, for the bond too depreciated and fluctuated. The greenback, the national bank note, and to a lesser degree the bond, rose or fell in value in response to union victories or defeats, political changes, favorable or unfavorable tresury reports, propitious or unpropitious foren relations, successful or unsuccessful attempts to tax or to borrow,—in short, in response to everything that affected or was thought to affect the possibility of their being paid.

The rise in currency prices of commodities during the war followd quite closely the rise in the premium on gold. By November, 1863, prices in general had risen 50 per cent; by July, 1864, 100 per cent; by January, 1865, 227 per cent. Undoutedly extended purchases by the

government raised the prices somewhat of certain commodities, but this was probably balanced by the tendency of a lessened demand for certain commodities to bring down their prices; certain Southern products, such as cotton, tar, turpentine, went up remarkably, but the lessend demand from the South for products of the North must have counterbalanced this; customs duties operated to raise some prices, so too excises, so far as they could be shifted to the consumer; the withdrawal of so many men from the ranks of laborers made laborers scarce and wages high, and high wages ment increast cost of producing goods and increast prices, but wages followd rather than preceded prices in their rise; and gold prices thruout the world were rising slightly, due to an increast production of gold; yet, the main cause of the general rise in prices during the war was unquestionably the depreciation of the greenback. The lines that represent currency prices and the premium on gold are so concomitant in their variations thruout the years of the war that this conclusion is irresistible. Money wages also rose during the war, but not so rapidly nor so extensivly as prices; so real wages declined. With all this went the defrauding of creditors, the hampering of legitimate business operations, the encouraging of speculativ ventures.

Greenback issues furnisht over one-fifth of the total tresury receipts for the fiscal year of 1862; over two-fifths of the receipts the next year; less than five per cent of the receipts for 1864; thereafter the redemption was greater than the issues. As the war progrest greater dependence was placed upon internal revenues, sales of bonds and short-time interest notes. Customs afforded thruout the war about one-tenth of the tresury receipts. Thus, legal-tender issues were an important source of revenue during two years. As to the effect of greenback issues upon the cost of the war, there is the greatest divergence of opinion. An estimate may be made by computing the increast number of dollars that had to be borrowd in paper to be repaid eventually in gold, or by computing the decline in the specie value of the paper money raised by the sale of bonds. Several writers have concluded that the war cost eight or nine hundred million dollars more than it would have cost had no greenbacks been issued. The most elaborate study ever made of the whole question (Mitchell's *History of the Greenbacks*) puts the figure at $589,000,000. Still other writers do not believe that the greenbacks increast the cost of the war at all. As it was, they say the government had to obligate itself to about twice the

gold value of the goods and servises purchast, because prices and wages in greenbacks were roughly twice the usual rates, the bonds selling in greenbacks at par; had there been no issue of legal-tenders the government would still have been obliged to obligate itself to twice the gold value of the goods and servises bought, because it would have realized in gold only half the face value of its bonds, which it is safe to assume would have fallen in gold value just as they did fall, greenbacks or no greenbacks. The trouble was not with the greenbacks but in the low value set upon government securities of whatever sort. The greenback it was, they say, that saved the Union.

Since the Close of the Civil War

Greenbacks or Gold for the Bondholders? Should United States bonds be paid in gold or in greenbacks; for example, the five-twenties of 1862,—there being nothing on the face of the bond nor in the act that authorized it calling explicitly for coin? On the one hand it was argued, that the legal-tender provision on the greenback made it good for the det; that the bond had been bought with depreciated paper; the money the capitalist had paid for the bond was the one he should get back; what had been good enough for the soldier was good enough for the bondholder, who from the interest paid in gold at a premium had alredy reapt an enormous gain; capital should have been drafted into the service of its country just as men had been. On the other hand it was claimd the capitalists had staked his principal on the successful issue of a doubtful struggle, had won, and was entitled to the gain; to pay bonds with greenbacks would be to pay off one det with another; it would be a breach of faith and an indelible stain on the Nation's honor. The Republican platform of 1868 denounced and the Democratic favored payment in greenbacks; and Johnson in his annual message of the same year suggested that the bondholders should be content to let future interest payments go toward extinguishing the principal of their bonds,—a proposition that the Senate, by resolution, roundly condemned. Grant, in his first inaugural address, declared that every dollar of the public det must be paid in gold, unless it was otherwise expressly stipulated in the contract; and Congress, cald in extra session, pledged the payment of bonds and notes in coin or its equivalent. The pledge has been kept.

Problems of Resumption. Within a few years after the close of the war, certificates of indetedness, interest-bearing legal-tenders, and tresury notes of 1864 and 1865, all of which had to some extent servd as currency, vanisht—funded, for the greater part, into long-time bonds. The first issues of greenbacks were exchangeable for bonds; but as their holders seldom seemd to care to make the exchange the privilege was soon taken away from them, and later issues were not made convertable. So after the war the legal-tenders did not disappear, automatically, thru conversion, as it had once been predicted they would; they and national bank notes remaind the media of exchange, and how to get back to a specie basis became the great financial problem for more than a decade. Each of half a dozen plans as to resumption found its supporters: (1) the greenbacks should be redeemd immediately, but at some fixed rate of discount; (2) a certain amount in the notes should be burnd each month until the diminishing supply made their value equal to that of gold; (3) the "way to resume was to resume"–let the government and the banks but announce the purpose and the patriotism of the people would do the rest; (4) the government should set about the accumulation of an ample gold reserv and announce its purpose of resuming specie payments at some future date; (5) there should be no contraction, but the policy should be one of waiting until thru increast population and increast business the country "grew up to the needs" of the money that it had and its value rose to that of gold; (6) there should be no thought of a return to a specie basis, greenbacks should remain the money of the country, their circulation should be increast, and all bank notes should be retired.

The course actually followd was a wavering one. The amount of greenbacks authorized during the war was $450,000,000, but in 1864 Congress had orderd that the amount in circulation should never excede $400,000,000, the other $50,000,000 being used as a reserv for temporary loan certificates; in 1866 it was provided that $10,000,000 be retired immediately, and an amount thereafter, not to excede $4,000,000 a month; in 1868, when the amount in circulation stood at $356,000,000, in response to the cry against "contraction" further retirement was forbidden; to ease the money market during the crisis of 1873 the tresury bought bonds with $26,000,000, of the $44,000,000, that had been retired—an expedient of questiond legality; in 1874 Grant vetoed a bill to increase the greenback circulation by $40,000,000; in 1875 it was provided that retirement might go on until the amount in circulation was

reduced to $300,000,000, but there was no explicit provision as to whether retired notes might be reissued; in 1878 an act was past suspending all cancellation of redeemd notes and directing their reissue,—so the amount in circulation now stands where it was then, at nearly $347,000,000. Congress finally declared in 1875 that specie payments should be resumed January 1, 1879, and provided for the accumulation of a gold reserv thru the sale of bonds. When the date set came a reserv of $138,000,000 was on hand, and resumption was accomplisht without difficulty. Few presented greenbacks for redemption. As soon as people knew they could have gold for the asking, they preferd their paper to gold. Meanwhile the question of the constitutionality of the greenback was being fought out in the courts. In 1871 it was decided by the Supreme Court, reversing a decision renderd by Chief-Justice Chase two years before, that war issues were constitutional, the power being incidental to that of raising and supporting armies; in 1884 issues in the time of peace were declared constitutional under the powers Congress had to issue bills of credit, coin and borrow money.

The Greenback Party. The Greenback party was an organized opposition to plans for resumption. In its platform in 1876 it stood for the withdrawal of all bank notes; the payment of government bonds, whenever possible, in greenbacks, and a currency of greenbacks alone, the notes to be exchangeable on demand for a 3.65 per cent United States bond, and to be legal-tender for all dets, public and private. It was argued that such a currency would be self-regulativ as to amount; if there became too much of it, it would be converted into bonds; if too little, such bonds would be exchanged for it; it was not necessary to use costly substances for media of exchange, which, moreover depended for their value upon the chances of production; the supply of paper money could be regulated and its value thus controld,—for its value like that of everything else depended upon demand and supply, that is, upon the amount of money-work or exchanging to be done and the amount of money in circulation; and if anybody was to have the privilege of borrowing without interest from the people, it should be the government rather than the banks; the Nation was loaning its credit to the bankers that they might get interest twice on their money.

Most of the replies to the greenback argument were as extreme as was that argument itself, but these two were rational: (1) when a people become distrustful of a money and, by a resort to barter or otherwise, avoid taking it in exchange, the demand for it is thereby diminisht

and its value reduced; (2) nearly all history proves that legislativ bodies can not be trusted to refrain from over-issues of irredeemable paper.

The Silver Controversy. The ratio of about 16:1, establisht by the acts of 1834 and 1837, undervalue silver: 371¼ grains of silver were worth more as bullion than coind, and the coinage of the silver dollar soon practically ceast; the coinage of the subsidiary silver pieces continued after 1853 from bullion purchast by the government, but the coins were debased and legal-tender to only $5.00. In 1873, when gold too had disappeard from circulation and the country was on a paper basis, an act was past that dropt the standard silver dollar from the list of coins, but substituted a trade dollar of 420 grains, standard fineness. In 1876 the legal-tender quality of the trade dollar was taken from it and its coinage limited to the demands for it in the export trade; in 1878 its coinage was discontinued. Other silver coins were still legal-tender to $5.00. Thus, these acts stopt the free coinage of silver altogether. Meanwhile silver as a primary money metal had been discarded by Germany, the Latin Union had stopt its free coinage, silver production was increasing rapidly, and silver, as compared with gold at least, was falling in value. Now at last, the full importance, for weal or for woe, of the act of 1873 was generally realized: either silver was falling because of its demonetization here and abroad; or, if its increast production would have caused the fall anyway, it would, had it not been demonetized, have come back into circulation. A determind movement set in for the free and unlimited coinage of the silver dollar. The first fruit of the agitation was the passage of a compromise mesure, the Bland-Allison Act of 1878. This provided for the purchase at the market price of from two to four million dollars' worth of silver bullion per month and the coinage of the same into the old standard, legal-tender dollar; for deposits of these dollars the tresury issued silver certificates, which were not legal-tender, but were redeemable in silver on demand. Under this act more than 378,000,000 dollars were coind, most of which were heapt up in the tresury, silver certificates circulating in their sted. The Bland-Allison Act retarded for five or six years the fall of the price of silver in gold. The agitation for unlimited free coinage continued and resulted in the passage of another compromise bill—the Sherman Act of 1890. This act provided for larger puchases of silver —4,500,000 ounces per month—to be paid for with tresury notes, payable in coin on demand, and legal-tender for all dets excepting when expressly stipulated to the contrary in the contract; so

much of the silver was to be coind as was necessary to redeem notes presented for redemption. Under this act tresury notes to the amount of nearly $156,000,000 were put into circulation; like the greenback, when they came back into the tresury they was reissued. The price of silver jumpt momentarily nearly to the hight of 1878 but soon fell again and lower this time than ever before.

The Run on the Tresury for Gold. In planning for resumption a minimum gold reserv of $100,000,000 had been suggested by Secretary Sherman; when the cancellation of greenbacks was stopt in 1878, the gold on hand was about $103,000,000; in 1882, in providing for the issue of gold certificates against deposits of gold, Congress had directed that their issue be suspended whenever the gold reserv in the tresury fell below $100,000,000. Thus, a gold reserv of $100,000,000 came to be regarded, sentimentally perhaps, by the people as setting a limit, above which lay safety, and below which lay danger. The redemptions of greenbacks in gold from the time of the resumption of specie payments down to the passage of the Sherman Act were insignificant, the reserv was easily held above $100,000,000, and at times amounted to about twice that, being over $190,000,000 at the close of the fiscal year 1890. From 1880 down thru 1890 there had been annually a large excess of government revenues over expenditures, amounting ordinarily to over $100,000,000; but the fiscal year of 1891 showd a surplus of only $37,000,000; the next year it was less than $10,000,000; for 1893 less than $3,000,000; 1894 showd a deficit (customs receipts having fallen and expenditures increast) of nearly $70,000,000; and 1895, a deficit of nearly $43,000,000. Along with this reduction in revenue, came, shortly after the passage of the Sherman Act a change in the character of the receipts from customs; in January, 1891, nine-tenths of the receipts had been in gold certificates or in gold; for the last four months of 1892 the receipts in gold and in gold certificates averaged only 5.6 per cent of the total receipts, the rest being in greenbacks, tresury notes, and silver certificates; later, receipts in gold and gold certificates practically ceast. Meanwhile the run on the tresury for gold had begun. Grover Cleveland called Congress together in special session, August 8, 1893. His message recited that "the Sherman Act had operated to heap up nearly $150,000,000 more of useless silver coin and bullion in the tresury, to put out the same amount of additional obligations that must be redeemd in gold if our silver and gold coins were to be kept at a parity; alredy the gold in the tresury had been depleted to the extent of $132,000,000; for example, between May 1,

1892, and July 15, 1893, $54,000,000 in tresury notes had been issued and $49,000,000 in gold paid out for their redemption; the purchase clause of the Sherman Act must be repeald immediately lest we fail to maintain the parity of the gold and the silver dollar, lest we drop to a depreciated silver currency, and lose our place among the first class nations of the world."

Congress finally repeald the purchase clause of the Sherman Act. The rupture in the Democratic party that came about during that summer session of 1893 has never been successfully heald. The discontinuance of silver purchases and of the issue of tresury notes did not stop the run upon the tresury for gold. There were $102,000,000 in tresury notes and greenbacks presented for redemption during the fiscal year of 1893, and nearly $85,000,000 during 1894. The annual deficit was now complicating matters for the tresury. The gold reserv on January 17, 1894, was below $70,000,000, and arrangements were then made for the sale of $50,000,000 in five-per cent ten-year bonds; another sale of the same amount of similar bonds was found necessary in November; the following February 3,500,000 ounces of gold were bought from a syndicate, with four per cent thirty-year bonds, and, finally, $100,000,000 in similar bonds were sold on popular subscription, early in 1896. Undoutedly much of the gold that paid for popular subscriptions of bonds was withdrawn from the tresury for the purpose. During the fiscal year of 1896, the United States notes presented for redemption aggregated about $160,000,000; the next year the amount was about $80,000,000. Thereafter the amount was never great enough to cause alarm. No further sales of bonds than those described were found necessary. The election was past. Gold had won. Foreners had ceast withdrawing their investments, the hoarding of gold had gradually stopt, and the tresury deficits had become smaller. The statistics show that of the $293,388,061 realized from the four bond sales during Cleveland's administration $204,678,893 was used to meet deficiencies in current revenues. Cleveland in his later messages advocated the retirement and cancellation of all United States notes, claiming that thru them the Nation had incurd a bonded det of $262,000,000, upon which the interest would be $379,000,000, making a total of $641,000,000; and the notes that caused the catastrophe would still be outstanding and unpaid, redy sometime to produce again similar results.

The Campaign of 1896. The silver controversy culminated in the memorable political contest of 1896, in which the Democrats stood for the free and unlimited coinage of silver at the ratio of 16:1, without any further waiting for the coöperation of other nations. Their argument ran about as follows: (1) Gold monometallism ment an appreciating medium of exchange. This was evinced by the rapid growth in population and trade, requiring a continual increase in redemption money; by the small per cent of the gold produced that had been going into money uses; by the stedy fall in the prices of staple commodities; by the failure of wages to rise since the demonetization of silver in 1873. (2) An appreciating medium of exchange ment a continual wrong to the detor class; made all ordinary business unprofitable; was the surest and most terrible of all ways to increase the welth of the rich and to enslave the poor; the distribution of welth even then was such as to shock the moral sense of any fair-minded man; the richest one per cent of the families of the country ownd more of the welth of the country than the other ninety-nine per cent of the families did; only seventy years before there had been but one millionaire in the land, but now there were six thousand; gold monometallism ment increasing inequalities in the distribution of welth. (3) Bimetallism would give a par of exchange between gold-using and silver-using countries, between which, under existing conditions, trade was becoming little more than gambling in the price of silver. (4) Gold and silver combined would make a more stable medium of exchange than either alone; the tendency of the one to rise during any period would very likely be balanced by the tendency of the other to fall. (5) Bimetallism would work; the Latin Union had long kept the ratio between silver and gold very stedy. (6) Bimetallism would give us a money in which the prices of commodities would remain about stationary and in which the prices of labor would rise; this would give the laboring class the benefit of a cheapening cost of production and would too be an ideal money as a standard for deferd payments, for in it the borrower would be paying back in commodities just what he borrowd. (7) There was no use waiting any longer for an international agreement; if the United States plunged in, it would be to the interest of France and other nations to follow. (8) There was but little free silver abroad with which our markets could be "flooded." (9) In settling trade balances the metals went by bulk; coinage had nothing to do with it.

The Republicans stood in part for gold monometallisn and in part for bimetallism thru international agreement. Their answers to the

arguments above were, in order, something like the following: (1) and (2) These arguments were wholly invalid, because a medium of exchange consisting of gold for redemption money and silver as a coin of limited issue, would not be an appreciating currency; gold production had been increasing and would probably increase still more rapidly; the usual claims as to the amount of gold used in the arts were grossly exaggerated; trade was coming to be carried on more and more thru checks, drafts, bills of exchange, etc.; the fall in prices had been due to cheapening cost of production and was a good thing; real wages had not fallen but had stedily risen; business had never, upon the whole, been better, tho of course crises with lower prices were bound to come periodically; a double standard, such was the production of the metals, would surely mean a depreciating money, a scaling down of dets, a wrong to creditors, national repudiation; no sophistry could make this right. (3) So far as an international par of exchange was concernd, it would be better if all leading commercial nations would use gold; gold international monometallism was no more impossible politically than was international bimetallism; ninety per cent of our foren trade was with gold-using countries. (4) Silver was a discarded metal; no attempt to bolster it up had been or could be successful; if two metals made a better medium than one, then why not have three or four? would not that be better still? (5) There was during the experiment of free coinage no concurrent circulation at any time in France; nor did the ratio remain unchanged in the markets of the world; nor had there been concurrent circulation of silver and gold either before or after 1834 in the United States while the free coinage of both existed; but whether bimetallism would work or not we wanted none of it, at least without international agreement. (6) Was the money suggested by the silver man as ideal any better than the one we alredy had—one in which prices of commodities had continually fallen with the cheapening cost of production, and in which nominal wages had remaind the same but real wages had continually risen? Were not laborers thus getting the benefit of inventions, etc.? And was not such a money just also as between detor and creditor, since the creditor got back only what he would have had in commodities if he had kept his money and never loand it at all? (7) Other nations would not follow; the silver of the world would be dumpt upon us, and (8) it would be found that there was an immense quantity of it. (9) We should be reduced commercially to a rank with China, Mexico, and other silver states. If an interna-

tional agreement among leading nations could be reacht, then it might do to try the free coinage of silver again.

Our Money As It Is. The Democrats lost in 1896; they stood for free coinage again in 1900, and lost again; this time, however, the money issue was of secondary importance. The Democratic platform of 1904 recognized, what was equally true in 1900, that the unprecedented rise in prices and the wonderful increase in gold production had made the free coinage of silver unnecessary. The fruit of the Republican victory of 1896 was the Act of 1900, which unequivocally declared the gold dollar to be the unit of our coinage, sought to gard the tresury against another run, and favord the national banking system. Under it the tresury notes of 1890 are being destroyd as fast as they come into the tresury and are replaced by silver certificates; the gold reserv is increast to $150,000,000 and the Secretary of the Tresury has ample power to sell bonds if need be to replenish it—but procedes from such sales must not be used to meet deficiencies in current revenues. National banks with a capital of $25,000 may be establisht in places of less than 3,000 population ($50,000 had been the minimum capital), they may issue notes to the full face value of the United States bonds deposited with the tresurer (insted of to 90 per cent of the face value, as formerly), and the tax upon circulation based on two-per cent bonds is one-half of one per cent each year (formerly, one per cent tax on all circulation). Since the passage of this law, over 3,000 new national banks have been started and the national bank circulation has about tripled.

By the Emergency Currency Act of 1908 any bank of a "national currency association" depositing a ten per cent redemption fund may issue notes to a per cent of the value of accepted securities other than federal bonds. These are subject to a rising tax and the issuing bank, the association, and the Government are pledged for their payment.

GENERAL STOCK OF MONEY IN THE UNITED STATES
(IN MILLIONS OF DOLLARS)

Gold.	Silver Dollars.	Subsid. Silver.	Greenbacks.	Bank Notes.	Tres. Notes
1,693	565	156	347	725	4

Most of the silver dollars and much of the gold is heapt up in the United States tresury, certificates circulating insted. Gold certificates, in circulation, $837,000,000; silver certificates, $483,000,000. All these figures are in round numbers and for November 1, 1910. The only minor coins now are the cent and the five-cent nickel piece.